



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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October 11, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: OCTOBER 10, 2003 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$792.0 million in the September 11-October 10, 2003 collection period. Collections this month were \$6.1 million (0.8 percent) below the estimate for the month. Due to data revisions, GFS collections are \$5.8 (0.7 percent) less than expected cumulatively since the September 2003 forecast. For the month, Revenue Act taxes (sales, use, business and occupation, and public utility taxes) and property taxes (state levy) were below the estimate while real estate excise tax, cigarette tax, and liquor tax receipts were higher than expected.

The U.S. economic is continuing to improve. In September U.S. employment increased for the first time since January. However, consumer confidence fell in September. Locally, Washington's payroll employment declined slightly in September, the first decline in three months. However, the state's unemployment rate remains unchanged from August at 7.6 percent.

Revenue Act receipts were \$11.0 million less than expected for the month. Collections this period primarily reflect August 2003 business activity of monthly taxpayers. Despite the shortfall there are reasons for optimism. Revenue Act receipts were 1.8 percent above the year-ago level this month after adjusting for new legislation. While this was less than expected and slower than last month's 3.1 percent increase, it was the fifth consecutive month of year-over-year Revenue Act growth. Revenue Act receipts have not increased for more than three consecutive months since early 2001. Nationally, large retailers reported strong back-to-school sales in September. This likely means another month of Revenue Act growth next month.

Preliminary data on tax payments of 8,500 large taxpayers for the current month indicate another good month for most retailers. Total tax payments of business in the retail trade sector were 6.0 percent above the year-ago level, with nearly all sectors reporting increases. Gas stations and convenience stores reported the largest gain (12.5 percent), and the only double-digit increase. Auto dealers, furniture and home furnishing stores and building materials/garden equipment retailers reported high single digit increases. The only decline was reported by electronic and appliance retailers.

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Other General Fund taxes collected by the Department of Revenue were \$5.0 million above the estimate for the month. Once again, higher than expected real estate excise tax payments account for most of this variance. Real estate excise tax receipts were \$3.9 million higher than expected in September. In addition, cigarette tax, liquor tax and estate tax receipts were above the estimate for the month. Property tax (state levy) was \$805,000 less than expected in September.

Real estate activity is still growing faster than expected. Real estate activity (closings in August which reflecting tax payments to the state in September) was 30.2 percent above the year-ago level statewide. Last month it increased 28.6 percent and it has grown more than 20 percent in ten of the past eleven months. In September, the number of transactions was up 18.6 percent, while the average value per transaction increased 9.8 percent.

Department of Licensing General Fund-State collections were \$62,000 below the estimate for the month.

The attached Table 1 provides a comparison of collections with the September 2003 forecast for the September 11 - October 10, 2003 collection period and cumulatively since the September 2003 forecast. The monthly variance and the cumulative variance are nearly identical in Table 1 because the monthly estimates based on the September forecast reflect actual collections through September 10. The difference in the month and the cumulative-to-date variance in Table 1 reflect data revisions. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
October 10, 2003 Collections Compared to the September 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
September 11 - October 10, 2003				
Department of Revenue-Total	\$797,373	\$791,316	(\$6,057)	-0.8%
Revenue Act** (1)	708,732	697,690	(11,041)	-1.6%
Non-Revenue Act(2)	88,641	93,626	4,984	5.6%
Liquor Sales/Liter	8,438	8,635	197	2.3%
Cigarette	4,661	5,243	582	12.5%
Property (State School Levy)	10,651	9,846	(805)	-7.6%
Estate	10,363	10,710	347	3.3%
Real Estate Excise	48,319	52,223	3,904	8.1%
Timber (state share)	0	0	0	NA
Other	6,210	6,970	759	12.2%
Department of Licensing (2)	754	691	(62)	-8.3%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$798,127	\$792,007	(\$6,120)	-0.8%
Cumulative Variance Since the September Forecast (September 11, 2002 - October 10, 2003)				
Department of Revenue-Total	\$797,373	791,660	(5,713)	-0.7%
Revenue Act** (3)	708,732	698,032	(10,699)	-1.5%
Non-Revenue Act(4)	88,641	93,628	4,987	5.6%
Liquor Sales/Liter	8,438	8,545	107	1.3%
Cigarette	4,661	5,243	582	12.5%
Property (State School Levy)	10,651	9,846	(805)	-7.6%
Estate	10,363	10,710	347	3.3%
Real Estate Excise	48,319	52,223	3,904	8.1%
Timber (state share)	0	0	0	NA
Other	6,210	7,062	852	13.7%
Department of Licensing (4)	754	691	(62)	-8.3%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$798,127	\$792,352	(\$5,775)	-0.7%

1 Collections September 11 - October 10, 2003. Collections primarily reflect August 2003 activity of monthly taxpayers.

2 September 1-30, 2003 collections.

3 Cumulative collections, estimates and variance since the September 2003 forecast; (September 11 - October 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the September forecast; (September 2003) and revisions to history.

5 Lottery transfers to the General Fund.

* Based on the September 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
September 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
August 11-September 10, 2003				
Department of Revenue-Total	\$656,807	\$656,807	(\$0)	-0.0%
Revenue Act (1)	702,471	\$702,471	0	0.0%
Non-Revenue Act(2)	(45,664)	(\$45,664)	(0)	0.0%
Liquor Sales/Liter	8,497	\$8,497	(0)	-0.0%
Cigarette	4,527	\$4,527	(0)	-0.0%
Property (State School Levy)-net	(126,629)	(\$126,631)	(2)	0.0%
Property tax collections	7,616	\$7,614	(2)	-0.0%
transfer to the Student Achievement Acct.	(134,245)	(\$134,245)	0	NA
Estate	8,977	\$8,977	0	0.0%
Real Estate Excise	50,429	\$50,429	0	0.0%
Timber (state share)	1,365	\$1,365	(0)	NA
Other	7,170	\$7,172	2	0.0%
Department of Licensing (2)	1,198	1,198	(0)	-0.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$658,005	\$658,005	(\$0)	-0.0%
Cumulative Receipts: June 11 - September 10, 2003 & Revisions to History				
Department of Revenue-Total	2,587,924	\$2,588,269	\$345	0.0%
Revenue Act (3)	2,150,385	2,150,728	343	0.0%
Non-Revenue Act(4)	437,539	437,542	3	0.0%
Liquor Sales/Liter	24,189	24,099	(90)	-0.4%
Cigarette	14,250	14,250	0	0.0%
Property (State School Levy)-net after transfer	168,714	168,712	(2)	-0.0%
Property tax collections	302,959	302,956	(3)	-0.0%
transfer to the Student Achievement Acct.	(134,245)	(134,245)	0	NA
Estate	33,671	33,671	(0)	-0.0%
Real Estate Excise	148,059	148,246	187	0.1%
Timber (state share)	1,365	1,365	(0)	NA
Other	47,291	47,199	(92)	-0.2%
Department of Licensing (4)	10,125	10,129	4	0.0%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,598,049	\$2,598,398	\$349	0.0%

Preliminary. Reported in the September 10, 2003 collection report.

1 Collections August 11 - September 10, 2003. Collections primarily reflect JJuly 2003 business activity of monthly taxpayers.

2 August 1-31, 2003 collections.

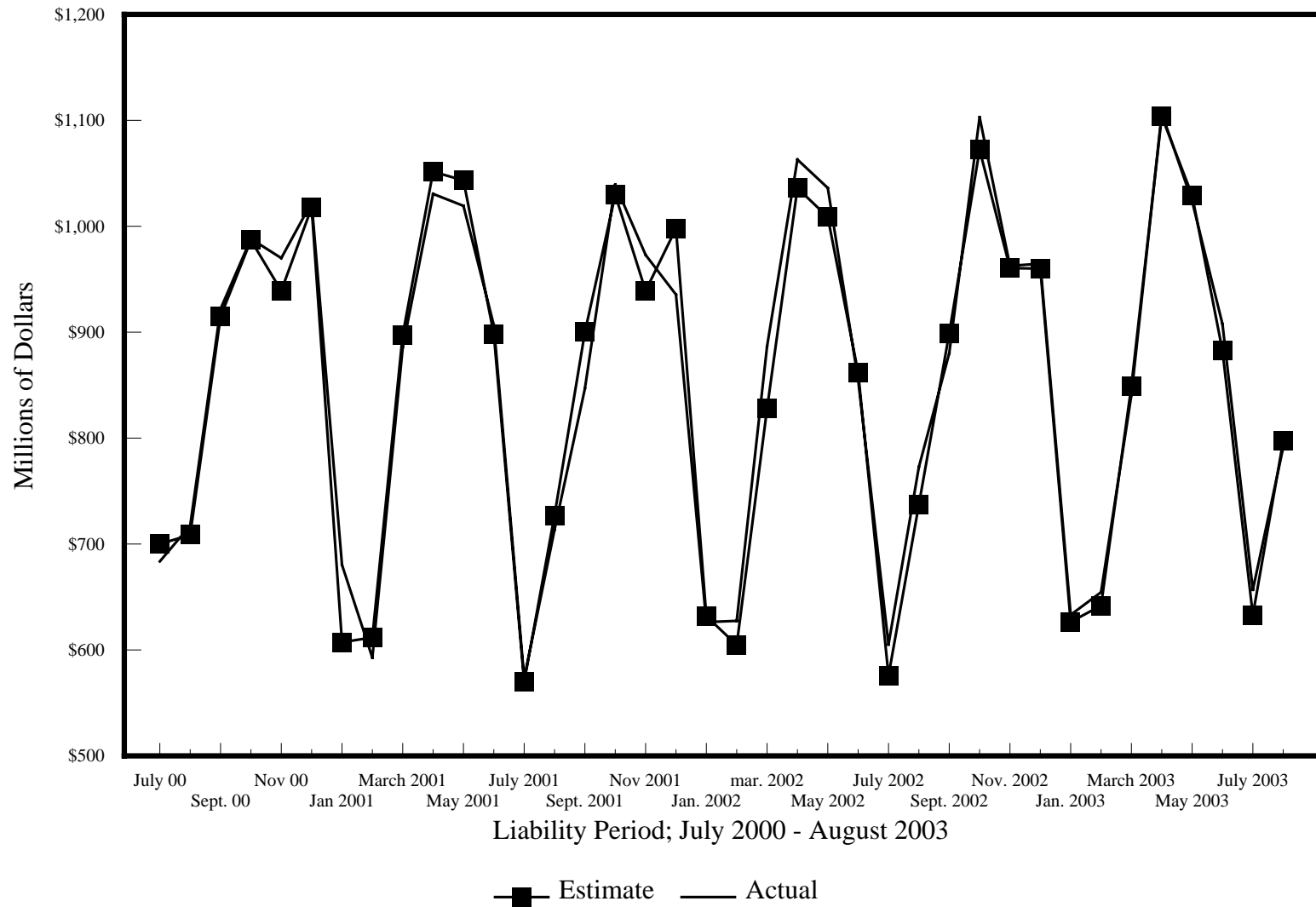
3 Cumulative receipts since the June 2003 forecast: June 11- September 10,2003 & revisions to history.

4 Cumulative receipts since the June 2003 forecast (June, July & August 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

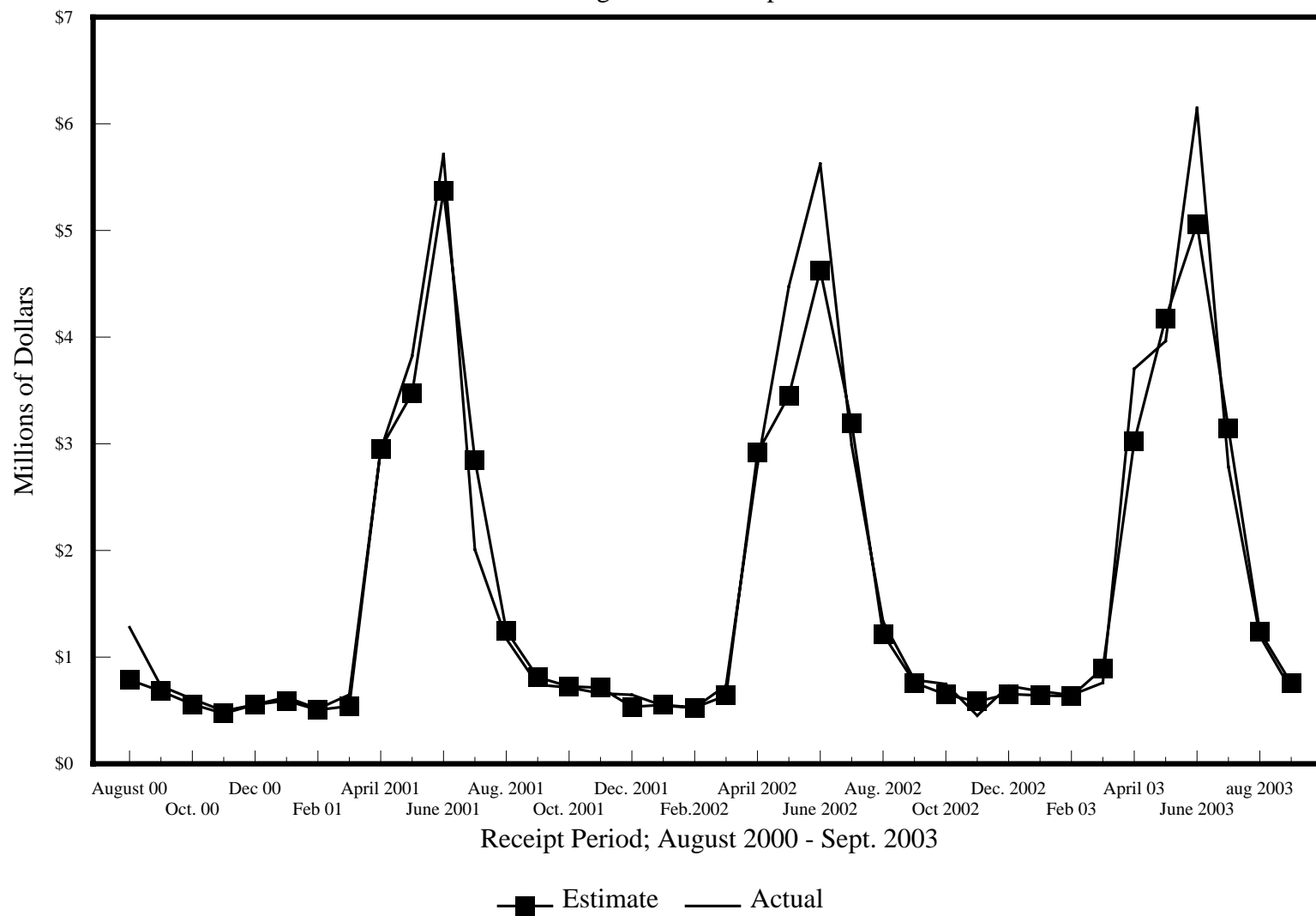
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to August 2003



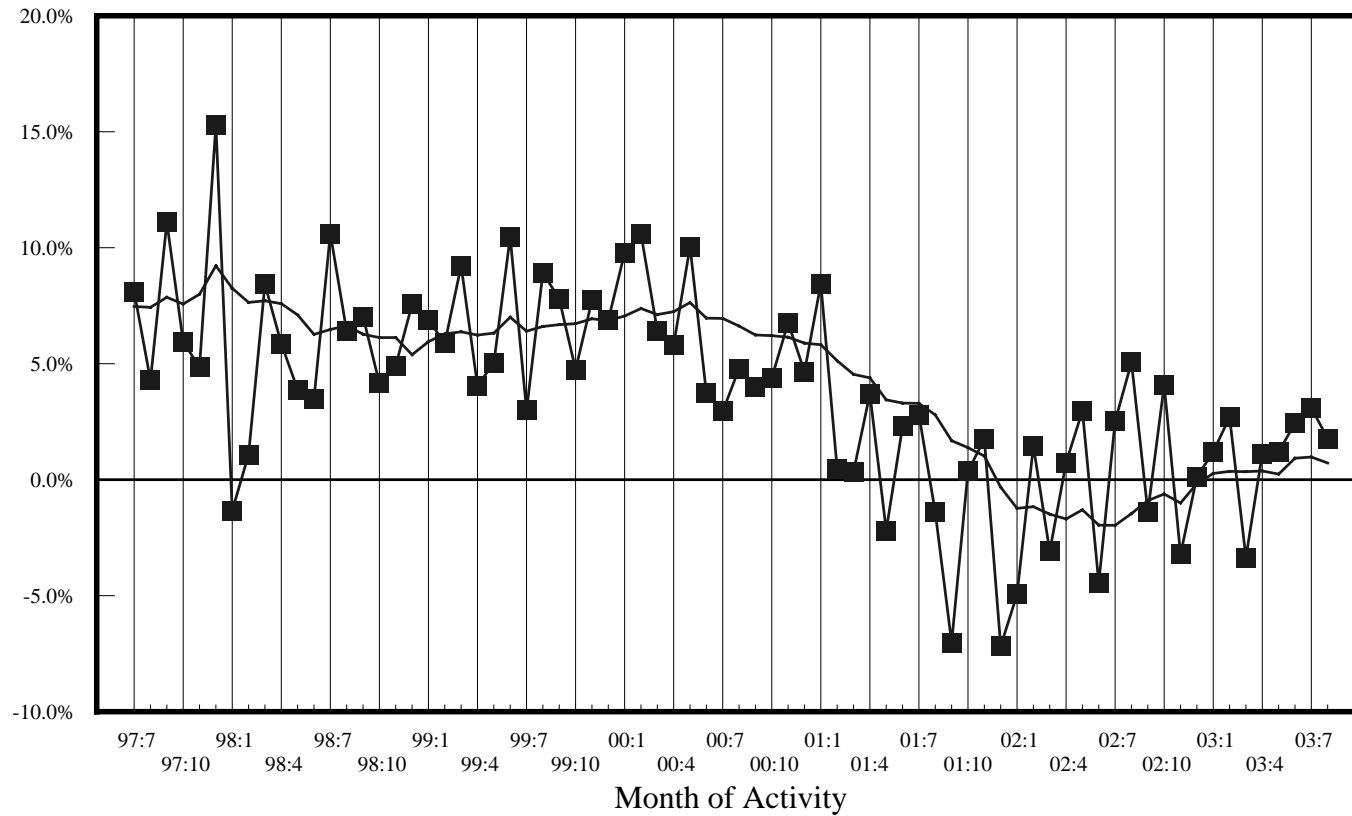
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to Sept. 2003



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— Twelve Month Moving Average

*Adjusted for special factors